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SIPDIS

SENSITIVE

STATE FOR NEA/ELA AND EEB/IFD/ODF
STATE PASS USTR FRANCESCKI
STATE PASS USAID LAUDATO/NANDY/SCOTT
TREASURY FOR PARODI/BLEIWEISS/AHERN
USDOC FOR 4520/ITA/MAC/ONE
NSC FOR SHAPIRO/MCDERMOTT

E.O. 12958: N/A

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SUBJECT: LEBANON: POLITICAL CONSENSUS IS CORNERSTONE FOR REFORMS
(ECONOMIC WEEK IN REVIEW, JULY 27 - AUGUST 2, 2009)

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POLITICAL CONSENSUS
CORNERSTONE OF REFORM

1. (SBU) During a series of meetings with EconOff July 21-22, government officials and prominent economic consultants stressed that politics had stalled reform and privatization. They believed political leaders wanted to preserve their vested interests in any future privatization. PM-elect Saad Hariri should show strong commitment to reform, therefore, and engage all political partners from the outset, they said. All contacts concurred that the new cabinet should focus on moving forward on the following: increased power production, electricity and telecom privatization, social reforms, streamlining business procedures, support to SMEs, and job creation.

2. (SBU) Telecommunications Regulatory Authority (TRA) Chairman Kamal Shehadi assessed that PM-elect Saad Hariri was committed to moving ahead with telecom privatization. Hariri asked Shehadi to prepare a statement on telecom reform to include in cabinet's ministerial statement, he said.

LEBANON CONFIRMS FIRST
DEATH FROM SWINE FLU

3. (U) On July 31, Minister of Public Health Mohammad Khalifeh confirmed Lebanon's first death as a result of swine flu. Khalifeh said a 30-year-old man had been receiving treatment for leukemia when he caught the virus and died as a result. Fifteen to 20 swine flu cases a day is manageable, Khalifeh said, but he warned that the rate would increase at the beginning of the school year in the fall.

Last week, the Ministry of Public Health stated the total number of swine flu cases had reached 105.

MARKET SHOWS STRONG APPETITE
FOR FIVE-YEAR TREASURY BILLS

¶4. (SBU) On July 23, the GOL issued approximately \$92 million worth of five-year Treasury Bills (TBs) in Lebanese Lira (LL) with a coupon of 9%, a senior source at the Central Bank of Lebanon (CBL) told us July 30. The issue was oversubscribed, with demand -- mainly from commercial banks -- reaching \$186 million, the source said. The increased demand was driven by an anticipated drop in interest rates, which would boost the TBs' yield. The GOL will begin issuing five-year TBs on a bi-monthly basis to absorb some of the banks' excess LL liquidity, while extending the public debt maturity. Banking sources expect strong demand for the new instrument at the next auction on August 6.

¶5. (U) The strong demand for five-year TBs had a slight impact on the money market, with the overnight rate rising from 3.5% (the official rate set by the CBL) to 4% mid-last week due to a temporary shortage in LL liquidity. The overnight rate closed at 3.5% on Friday, July 24.

AMCHAM LEBANON TO
CHAIR MENA COUNCIL

¶6. (SBU) During the annual American Chamber of Commerce (Amcham) MENA Council meeting on July 27-28 in Jordan, the chairmanship of the council was transferred from Amcham Jordan to Amcham Lebanon for a two-year term. The Lebanese delegation at the meeting included

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Amcham Lebanon president Salim Zeeni, vice presidents Arslan Sinno, Maher Beydoun, Richard Haykal, and board members, as well as Senior Commercial Specialist. Discussions focused on regional events for the coming two years, including holding an environment day in Egypt on October 27 (featuring former VP Al Gore), a U.S.-MENA ICT Forum in Beirut in November 2009, and the Made in America Beirut trade fair in April 2010. Participants also suggested leading more regional delegations to U.S. trade fairs.

BEIRUT TO HOST WIPO
REGIONAL MEETING

¶7. (SBU) Wissam El Amil, Intellectual Property Rights (IPR) Specialist at the Ministry of Economy and Trade (MOET), told us that Beirut will be hosting the World Intellectual Property Organization (WIPO) Arab Regional Meeting on October 12-15 with high-level government representatives from the region as well as IP experts. El Amil noted that the MOET, in collaboration with the Ministry of Education, will resume its IPR awareness campaign for schools, interrupted due to the 2006 July war, in 2010. Meanwhile, a new IPR masters degree program at the publicly-owned Lebanese University is set to begin in the upcoming school year. Lebanon is working on improving the IPR environment, but increased awareness and training for judges would improve IPR enforcement, he said.

CBL TO BECOME
REGIONAL TRAINING HUB

¶8. (SBU) On July 29, Central Bank of Lebanon (CBL) Vice Governor Dr. Saad Andari told us the CBL is currently working to expand its training institute to serve as a training hub for central bankers in the region. As a result, the CBL is re-negotiating a 1997 agreement with the Federal Reserve to set up a hub in Lebanon, he said, adding that the director of the CBL training institute, Mohammad Jabri, will attend a "Train the Trainers" program at the Fed in August in preparation for the project. Andari expected that the CBL would start regional training programs in Beirut in October 2009.

CABINET ADOPTS NATIONAL STRATEGY

TO FIGHT FOREST FIRES

¶9. (SBU) On July 28, Director General of the Association for Forests, Development, and Conservation (AFDC) Sawsan Bou Fakhreddine told PolEcon officer and Econ staff that the Cabinet adopted a National Strategy for Forest Fire Management in May 2009. The strategy aims to reduce the risk of intense and frequent forest fires, while allowing for fires that are "socially, economically, and ecologically sustainable." Work towards implementing the strategy will be based at the disaster management office, part of the Prime Minister's office, Bou Fakhreddine said.

LEBANESE NGO FOCUSES ON ENDANGERED SPECIES AND CLIMATE CHANGE

¶10. (SBU) On July 28, PolEcon officer and Econ staff met with the Executive Director of local environment NGO Indyact, Wael Hmaidan, and Deputy Director Soumar Dakdouk. Indyact's currently focuses primarily on pushing Lebanon to ratify the Convention on International Trade in Endangered Species (CITES). Dakdouk noted that Indyact will start working on the scoping report and justification needed for Lebanon to join CITES as soon as funding is secured from the Dutch government and Lebanese Byblos Bank. Indyact hopes that Lebanon will join before the CITES Conference in Bahrain in 2010. Hmaidan noted the importance of ratifying CITES, as Lebanon is considered a hub for the illegal animal trade worldwide.

¶11. (SBU) Additionally, Indyact will hold a workshop in August on climate change negotiations for Arab media and a climate change conference on October 24 in Beirut. According to Hmaidan, Indyact is the only NGO in the Arab region working on climate change. The group is also fighting against bluefin tuna extinction, he said.

MEA AMONG 25 BEST

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AIRLINES WORLDWIDE

¶12. (U) Air Transport World Magazine, a leading magazine covering the airline industry, ranked Lebanese national carrier Middle East Airlines (MEA) among 25 leading airlines worldwide. In 2008 MEA ranked 18 and 23 worldwide in terms of net profit and operational income respectively. MEA flies to 29 destinations in the Middle East, Europe, and Africa with a current fleet of 13 Airbus planes. The company, owned by Lebanon's Central Bank, is expected to receive three additional Airbus planes by 2010.

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